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IN THE

Supreme Court of the United States

OCTOBER TERM, 1972

No. 72-1127

THE O. M. SCOTT AND SONS COMPANY, *Petitioner,*

v.

CLYDE M. NOLL AND S. JOSEPH FORTUNATO, as Trustees, *Respondents.*

PETITIONER'S REPLY

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PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

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QUESTION 1

The court below, acting *sua sponte,* invoked 35 U.S.C. 112 ¶ 3 to validate a patent on facts which it expressly recognized as "indistinguishable from" *Graver Tank & Mfg. Co.* v. *Linde Air Products,* 336 U.S. 271 (1949) The court deliberately approved that which this Court condemned in *Graver.*

The supposed curative power of this statute was similarly applied by the Ninth Circuit in *Kockum Industries, Inc.* v. *Salem Equipment Inc.,* 467 F.2d 61 (9th Cir. 1972, Petition 72-951). We subscribe to Respondents' statement that (R. 5)*:

> "In *Salem,* the Ninth Circuit sustained the claim, otherwise invalid under the rule of *General*

* Respondents' Brief, page 5.

> *Electric Co.* v. *Wabash Appliance Corp., supra,* by construing the claim in accordance with the third paragraph of § 112."

Thus, the Ninth Circuit, acting under the aegis of the same statute, expressly approved that which this Court expressly condemned in *General Electric Co.* v. *Wabash Appliance Corp.,* 304 U.S. 364 (1938).

These decisions reflect a substantial and deliberate erosion of the standards of patent validity established by this Court, an erosion which will continue if this Court withholds its hand.

Respondents, as expected, characterize the issue as simple, parochial, of purely private import. The matter will not yield to this treatment. To say that the issue is of no national importance is to say that this Court's standards of patent validity are of no national importance.

A. Respondents apparently concede the importance of Question 1, as stated, but suggest (without benefit of law or logic) that somehow the issue has been compressed or "delimited" by the fact that Petitioner's attack on the validity of the claim was predicated only on overclaiming to cover inoperative compounds (R. 3-6). The issue presented is whether 35 U.S.C. 112, paragraph 3, authorizes reference to the specification to save a claim which would otherwise be invalid. This is a question of statutory interpretation independent of the nature of the invalidity asserted.*

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* We trust this Court will not be misled by Respondents' assertion that "Scott had a full hearing in the District Court and lost each issue on the facts." (R. 13) The question presented here is a question of law, not raised nor argued in the District Court, nor raised by the parties on appeal.

The statutory interpretation adopted by the Sixth Circuit below to rescue a claim which included inoperative subject matter was applied by the Ninth Circuit in *Kockum, supra,* to rescue a claim from asserted indefiniteness and overclaiming to include the prior art.

Under the broad reach of the decisions of the Sixth and Ninth Circuits, 35 U.S.C. 112 ¶ 3 becomes a potential cure-all, effective to remedy a variety of patent ailments—a new and potent patent medicine.

The issue as presented stands immune from attempts to contract it by argument.

B. Respondents further seek to recast this case as at most involving "a limited modification of the Sixth Circuit *Kalle* rule" under which a claim is invalid for *any* overclaiming (R. 12).

Respondents assert that the Sixth Circuit merely decided that a claim is not "*per se* invalid if a few members of the class are inoperative" (R. 6). But that is not what the Sixth Circuit held.

The Sixth Circuit *did* hold, on the ground of the third paragraph of Section 112, that, regardless of the number of inoperative compounds encompassed by the claim in issue, it should be resuscitated by limiting it to the specification, which it assumed disclosed only operative compounds. This is not a *modification* of the *Kalle* rule, it is the substitution of an entirely *new* rule based on statutory construction.

Further, Respondents' suggestion that the overclaiming was "*de minimis*" (R. 15) is wrong. The facts accepted by the Court of Appeals show that the patentee had tested only one compound when he filed his application, yet claimed thousands if not *hundreds* of thousands of compounds, most of which are still of unknown

efficacy and others of which have been shown to be inoperative. (Pet., App. 25)

Claim 1, of enormously greater breadth, not in issue here, but still in the patent, together with other claims of unknown breadth, remain as a threat to the public.

C. Respondents' unadorned assertion that there is no conflict between the circuits will not bear examination. As set forth in the petition, the Fourth Circuit in *Wilcox Mfg. Co.* v. *Eastern Gas and Fuel Associates,* 400 F.2d 960 (4th Cir. 1968); the Court of Appeals for the District of Columbia in *Siegel* v. *Watson,* 267 F.2d 621 (D.C. Cir. 1959); and the Court of Customs and Patent Appeals in *Lundberg, Application of,* 244 F.2d 543 (CCPA 1957), insisted that the claims measure the patent grant and tested the validity of the claim as written. The Courts of Appeals for the Sixth and Ninth Circuits did not. In testing validity under their view of 35 U.S.C. 112, ¶ 3, they used as a measure, not what was claimed but what was disclosed. Respondents refer to these cases only under Question 2, to which they have no relevance. There, they discuss *Wilcox* briefly, but relegate *Siegel* and *Lundberg* to footnote status.

Respondents have sidestepped the issue. The conflict exists. It can be resolved only by this Court.

The outcome of the challenge to this Court's rule that the claim, not the disclosed embodiments, measures the invention, is a matter of vital interest to the bar and to the public.

Five appellate courts have addressed themselves to this issue. The score is now 3 to 2. We respectfully suggest that this Court should not wait until the re-

maining circuits have chosen up sides, but should accept jurisdiction and resolve this issue now.

QUESTION 2

The answer to Respondents' contention that the court below applied no double standard of claim interpretation is found in the court's opinion itself.

For validity purposes the court stated (invoking 35 U.S.C. 112):

> "The statute thus requires this claim to 'be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.'" (Pet. App. 8a)

For infringement purposes the court stated (invoking case law):

> "Further, the claimed subject matter of the Schwerdle patent is not limited to the specifically disclosed embodiments thereof. Broad claims may include subject matter not so embraced." (Pet. App. 14a)

The net effect of these two holdings is this:

If a subsequent experimenter, after extended research, discovers that one, or a thousand, methods or compounds literally within the claimed monopoly will not work, no harm is done in the view of the court below. The patent remains valid, since by definition what will not work is not an equivalent, and is judicially excluded from the claim.

On the other hand, if after extended research (five man-years in the case of Scott) a later experimenter discovers a method that *will* work and is within the literal scope of a broad claim, he is held accountable as an infringer.

Substantially the same double standard was applied in *Devex* v. *General Motors Corp.,* 175 USPQ 321 (Pending Petition 72-1161).

QUESTION 3

Contrary to Respondents' assertion, the arrangement between the competitors, Vineland and Cleary, was not a bona fide resolution of a dispute. Vineland and Cleary reached accord only after litigation in which the court found that both parties had been guilty of "grossly inequitable conduct" (Pet. App. 3a). Judge Madden, author of the impounded opinion, later stated, " * * * the court, in common parlance, threw them both out of court, and, in effect, threw them to the competitive wolves * * * " (DX 51, RII-329).

The court's opinion, which left the parties stripped of all enforceable rights, was thus an insurmountable impediment to settlement, and was impounded at the insistence of the Respondents, and remains impounded to this day at their insistence. Thus, the agreements created rights which had been judicially extinguished.

Further, the theory that an agreement entered into to settle litigation, however long and arduous, is somehow immunized from scrutiny, was specifically rejected in *United States* v. *Besser Mfg. Co.,* 96 F. Supp. 304 and *United States* v. *Krasnov,* 143 F. Supp. 184.

It is conceded that by virtue of the settlement agreements the competitors Vineland and Cleary jointly enjoyed control over all facets of the licensing, exploitation, and enforcement of the patent in suit. True, the competitors authorized licenses under the patent, but, with two exceptions, these licenses were granted only to the customers of the competitors (R. 34) and the

standard license restricted the customer to the resale of DSMA packaged in final retail form.

The undisputed evidence of record establishes not only the power of control in the competitors, but the exercise of that power time and again. But, whether or not the power was exercised, the agreement is condemned as patent misuse under the authorities cited on pages 18 and 19 of the Petition.

Operations by the competitors under the agreements have prospered because they were able to take advantages of the enormously broad monopoly conferred by Patent 2,678,265 granted on the basis of the discovery of the single compound which had been tested when the patent application was filed.

CONCLUSION

The Petition should be granted.

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